

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 /084 W
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R 291645Z JUL 77
FM AMEMBASSY MADRID
TO SECSTATE WASHDC 1211
INFO AMEMBASSY PARIS

C O N F I D E N T I A L MADRID 5707

USOECD

E.O. 11652: GDS
TAGS: EFIN, SP
SUBJECT: SPANISH LOANS

REF: MADRID 3971

1. SUMMARY: NO MAJOR FOREIGN LOANS FOR SPANISH ENTITIES ARE NOW BEING NEGOTIATED, BUT SPAIN WILL NEED MAJOR LOANS BEFORE THE END OF THE YEAR. MOST FOREIGN BANKERS HERE ARE MAINTAINING A "WAIT-AND-SEE" ATTITUDE ON NEW LOANS, BUT A COUPLE ADD THAT LOANS TO SPAIN ARE NOT USUALLY NEGOTIATED IN THE SUMMER. TWO PENDING 100 MILLION DOLLAR LOANS ARE READY FOR SIGNATURE WITHIN THE NEXT TWO WEEKS. BANK OF SPAIN WILL GET SOME ADDITIONAL BENEFIT FROM LOAN DRAWDOWNS WHICH SPANISH ENTERPRISES HAD DELAYED UNTIL AFTER THE RECENT 25 PERCENT PESETA DEVALUATION. END SUMMARY.

2. ALTHOUGH MONEY IS STILL AVAILABLE TO SPANISH ENTITIES - ON THE RIGHT TERMS - FEWER LOANS ARE BEING NEGOTIATED THIS YEAR. U.S. BANKS HAVE ALSO SHOWN UNEXPECTED CAUTION IN CONSIDERING FUTURE BALANCE OF PAYMENTS LOANS. THIS
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NEW ATTITUDE DATES FROM THE FAILURE THIS SPRING OF A LARGE MANUFACTURERS HANOVER TRUST-SYNDICATED LOAN TO THE KINGDOM OF SPAIN.

3. IN THE FIRST FOUR MONTHS OF THE YEAR SPANISH BORROWERS OBTAINED FOREIGN CREDITS WORTH 750 MILLION DOLLARS, AND IN RECENT MONTHS A NUMBER OF SMALL LOANS

HAVE BEEN FINALIZED. FOLLOWING THE JULY 12 DEVALUATION OF THE PESETA BY 25 PERCENT, IT ALSO BECAME MORE ATTRACTIVE TO DRAW DOWN PREVIOUS LOANS. BUT IN SPITE OF THIS MODEST INFLOW, WE ESTIMATE SPAIN WOULD LIKE TO BORROW SOME THREE BILLION DOLLARS MORE THIS YEAR TO COVER THE PAYMENTS DEFICIT AND LOAN REFINANCING. ROUGHLY HALF A BILLION DOLLARS COULD BE MADE AVAILABLE BY THE IMF, AND ANOTHER BILLION-DOLLAR LOAN THIS FALL IS CONSIDERED LIKELY BY AMERICAN BANKERS. THE REMAINDER NEEDED THIS YEAR MAY ALSO BE AVAILABLE FROM PRIVATE SOURCES. THE REAL UNCERTAINTY FOCUSES ON NEXT YEAR.

4. THERE ARE TWO LARGE LOANS NOW AWAITING SIGNATURE, BOTH FOR 100 MILLION DOLLARS. PUBLICLY-OWNED ENAGAS WILL RECEIVE THE MONEY FOR SEVEN YEARS, WITH TWO YEARS GRACE, AT 1 3/8 PERCENT OVER LIBOR. PARTICIPATION FEES VARY FROM 1/8 TO 1/2 PERCENT. THE OFFICIAL CREDIT INSTITUTE, ALSO A PUBLIC ENTITY, WILL RECEIVE ITS MONEY FOR SIX YEARS, WITH THREE YEARS GRACE, AT 1 1/4 OVER LIBOR. BANKERS TELL US THESE TERMS ARE APPROPRIATE FOR SPANISH RISK. WE ARE ALSO TOLD THAT NO OTHER LARGE LOANS ARE BEING NEGOTIATED, WITH THE FINANCIAL COMMUNITY GENERALLY PREFERRING TO WAIT UNTIL AFTER THE AUGUST VACATIONS TO DIGEST THE MEANING AND SUCCESS OF THE RECENTLY-CONFIDENTIAL

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ANNOUNCED ECONOMIC PROGRAM. STABLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, LOANS, GOVERNMENT DEBTS
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Sent Date: 29-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: GS
Errors: N/A
Expiration:
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Handling Restrictions: n/a
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Review Withdrawn Fields: n/a
SAS ID: 1838661
Secure: OPEN
Status: NATIVE
Subject: SPANISH LOANS
TAGS: EFIN, SP
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/72fc356a-c288-dd11-92da-001cc4696bcc
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